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should be held within one year of the setting up of the statistical section. The primary object of the Assembly should be to bring international statistics into direct contact with the opinion of statisticians throughout the world, the assemblies and governing bodies of most existing international organizations being gatherings primarily of non-statisticians. On the side of statistical technique the records of the International Statistical Institute are evidence of the valuable results which flow from broad-based discussions; when such results are the product of official as well as private initiative, their practical application, it may be expected, will be more general. The Majority report makes no provision whereby every country may secure a voice in the formulation of international statistical policy.

"In conclusion we would emphasize the opinion that the problem of statistical organization should in the final analysis be approached as an entity, especially in a world-plan which is dependent upon the support of sovereign bodies not disposed to accept confused or wasteful methods, and that there should be recognition at the outset of the character of the working machinery which alone can accomplish that purpose."

The question of procedure offered considerable difficulties. At the end of the sessions the resolutions, as above set forth, were forwarded to the Council of the League, but it was decided that the drawing up of the Commission's report should be carried out by a member of the Majority, subsequent to the adjournment of the Commission, for submission to the individual members for comment thereon. The Minority members thereupon forwarded the statement above quoted to the Secretary-General of the League for presentation to the Council at the same time as the Majority resolutions.

The reports of the Commission were placed before the Council of the League at its meeting in Brussels during October and were by it referred back to the respective governments included in the League.

FRENCH WAR FINANCE

BY FAITH M. WILLIAMS, *Federal Reserve Board*

The Division of Analysis and Research of the Federal Reserve Board has recently completed a study dealing with French war finance. The subject is of especial interest at the present time because of the effect of the French war debt upon present economic and political problems in Europe.

In France's 1920 budget the second largest item of expenditure is that for "the expenses of the public debt" which amounts to almost twelve billion francs. This figure, which is larger than the total French tax receipts in 1919, brought the budget for the "ordinary expenditures" of the French government last year up to almost twenty-two billion francs. In June, 1920, new taxes were enacted which are expected to yield enough revenue to balance this "ordinary budget." There remained, however, after this was done, the expenses connected with pensions, with war-time cost of living bonuses, and with the reconstruction of the devastated regions, which amounted to twenty-six billion francs. Of this amount twenty-one billions were regarded as eventually recoverable from Germany. It was necessary to meet this "extraordinary expenditure" by two internal loans. The 1921 budget contemplates spending 16 billion francs more in the devastated regions, and, in default of any considerable payments by Germany on reparations account, raising that amount by further loans. Since the French public debt now totals about 245 billion francs it does not seem astonishing that the French people do not look upon further additions to their debt with enthusiasm, and that they are very eager for payments from Germany to begin.

France entered the war with a comparatively insignificant internal debt (about 35 billion francs) and with large investments abroad. She begins the year 1921 with a debt at home and abroad which amounts to about 245 billion francs, calculating her

foreign debts at par. A survey of the process by which this debt was piled up makes an interesting study in war finance.

At the beginning of the war the mobilization of almost all Frenchmen of military age completely disorganized the collection of taxes, and French tax receipts for 1914 fell 641 million francs below budget estimates. The invasion of French territory and the occupation of her most profitable industrial region prevented France from floating a great loan at the beginning of the war.

In 1914 her two great sources for current funds were advances from the Bank of France and the sale of three months, six months, and one year Treasury Bills, which were re-named in November, 1915, National Defense Bills. Upon these two sources she depended until 1915. In that year her methods of war-financing developed, and she marketed five and ten year bonds and floated a consolidation loan. By 1916 her system of war finance had been completely evolved. From that time on no new expedients were invented, but the old forms were used over again.

Specifically, seven different sources were utilized to provide funds for the French government during the war. They are as follows:

- (1) Receipts from taxes.
- (2) Advances from the Bank of France and the Bank of Algeria.
- (3) National Defense Bills (Bons de la Defense Nationale, issued first for one year, six months, three months, and later for one month also).
- (4) National Defense Bonds (Obligations de la Defense Nationale, five and ten year bonds).
- (5) Consolidation Loans. (These loans were all of the "perpetual rente" type except that of the spring of 1920 which matures in 1980.)
- (6) Treasury Bills discounted abroad.
- (7) Other Loans floated abroad.

France used short term government securities as a means of obtaining war funds much more than has popularly been supposed. Her National Defense Bills correspond to the Certificates of Indebtedness used in the United States and the Treasury Bills of the United Kingdom. They were sold during the entire period of the war, in constantly increasing amounts. The only times when they showed marked decreases were when the Consolidation Loans resulted in the funding of large amounts of the bills outstanding. (The National Defense Bills were accepted as equivalent to cash in subscriptions to loans.) In December, 1919, there were National Defense Bills in circulation to the amount of 46 billion francs, and the latest figure available (that of July 1, 1920) is 44 billion francs. Figures on the amounts floated in the last six months and the amounts paid into the last loan since that time seem to indicate that the bills outstanding in December, 1920, amounted to more than 46 billion francs.

The most striking feature of French war finance is furnished by the advances of the Bank of France to the government, and the consequent increase in its note circulation. It should be observed, however, that at no time during the war did the advances of the Bank of France equal the amounts realized from the sale of National Defense Bills. According to the agreement by which the bank is the only note-issuing body in France, it was required to advance the government, until the expiration of the note-issuing privilege, 200,000,000 francs without interest, and "in time of public emergency" to lend 2,900,000,000 francs at 1 per cent. This was promptly done at the outbreak of the war.

It was evident very shortly, however, that the advances originally agreed upon would not be sufficient for the needs of the state, and in September, 1914, the limit

was raised to 6 billion francs. The maximum was again raised in May, 1915, and it has progressed by successive steps until it now stands at 27 billion francs, not including Treasury Bills discounted for the advances of the state to foreign governments.

The only periods during the war when the advances of the bank decreased were at the time of the Consolidation Loans (December, 1915; November, 1916; very slightly in December, 1917; September, 1918), and at the time of the armistice. The increase in the advances of the bank to the state in 1919 is very striking. There was no great loan during that year to fund the outstanding obligations of the government, and expenditures piled up faster than tax receipts, although the latter were larger than they had ever been before. During 1920, however, the advances of the bank increased very slightly, and during January, 1921, they decreased by about one billion francs.

The advances to the government caused a large increase in the note circulation of the bank. There is no legal reserve ratio for the Bank of France, but the amount of its note issue is limited by act of Parliament. When the war broke out, this limit stood at 6,800,000,000 francs, but it has since been raised several times, and is now 43,000,000,000 francs.

The decrease in the ratio of gold to notes of the Bank of France is not quite so great as the increase in its note circulation would seem to imply, as its gold reserve has increased almost 2 billion francs since 1914. In December, 1913, the gold reserve of the bank amounted to 3,517 billion francs; in December, 1920, it had reached 5,500 billion francs (including 1,948 million francs held abroad).

Gold convertibility in France was abandoned by an act of Parliament in August, 1914. Bank notes were made legal tender, and issued in 5 and 20 franc denominations to take the place of the coin withdrawn from circulation. There has been a very close correspondence between the advances of the Bank of France to the government and the increase in its note circulation during the war. In the last week in January, 1921, the note circulation stood at 37,913 million francs, and the advances to the state at 29,780 million. The difference (6 billion francs) is only slightly more than the entire note circulation of the bank in 1914.

A third feature of French war borrowing which is of especial interest is that which concerns foreign countries. The report of foreign debts given to the French Senate last July lists ten allied and neutral countries from which she received the loans by which she financed her necessary imports. In most of these countries the loans took the form of short term credits and must be repaid within a year or so. In England and the United States the greater part of the advances came from the national treasury and may presumably be allowed to run for a longer period.

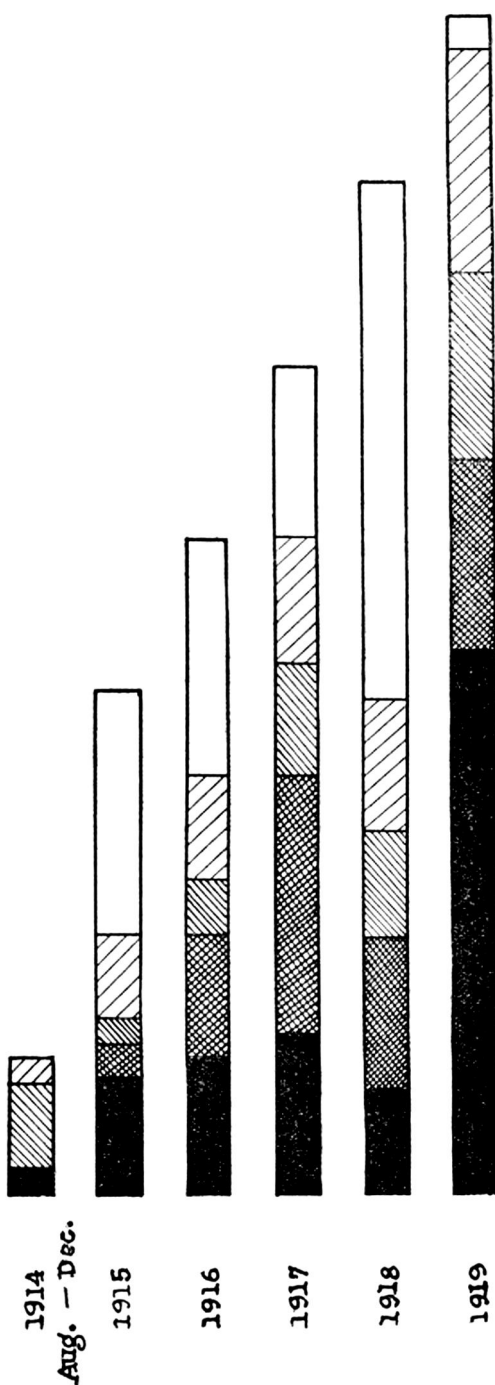
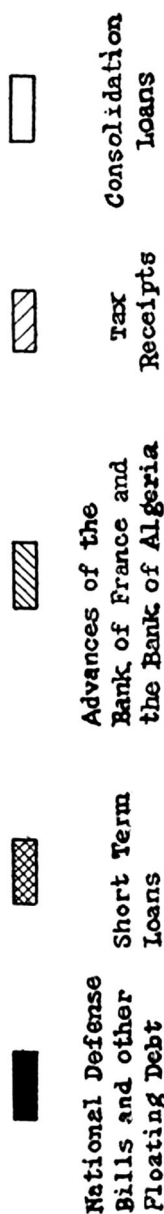
On July 1, 1920, the principal items of the foreign debt were as follows:

FRENCH FOREIGN DEBT AS OF JULY 1, 1920

(In millions of francs)

Bills discounted by the British Treasury	12,327
Bills discounted by the Bank of England	1,639
Advances of the American Treasury	14,428
Anglo-French Loan in the United States	1,295
Bonds given to the American Government in exchange for army stocks	2,072
Short term credit in Spain	593
Other short term credits in neutral countries	954
Other loans	988
Total (all debts calculated at par)	34,296

PRINCIPAL RESOURCES OF THE FRENCH TREASURY



Since the beginning of the war there have been six consolidation loans in France, all but one of them being of the "perpetual rente" type long familiar in France. Only the last loan was issued, strictly speaking, at par, for although interest on the 5 per cent loan of 1920 is paid only on the capital invested, this loan must be repaid at 150 at its maturity. The difference between the amounts actually received in each loan and the amount upon which interest is being paid is shown by the following table.

FRENCH CONSOLIDATION LOANS

(In millions of francs)

<i>Loans</i>	<i>Nominal capital (face value)</i>	<i>Effective capital (amounts paid in)</i>
5% 1915.....	15,205	13,308
5% 1916.....	11,514	10,082
4% 1917.....	14,882	10,209
4% 1918.....	31,304	22,163
5% 1920.....	16,150	16,150
6% 1920.....	27,000	27,000
Total.....	116,055	98,912

In order to get a clear picture of the financial operations of the French government during the war, it is profitable to place in parallel columns the resources utilized by the French Treasurer during the five years of the war and the first year after the armistice. The figures for the war years were first published in the 1919 report on the French budget, and those for 1919 were calculated from the figures of M. Klotz, formerly French Finance Minister.*

PRINCIPAL RESOURCES OF THE FRENCH TREASURER

(In millions of francs)

<i>Date</i>	<i>National defense bills and other floating debt</i>	<i>Short term loans</i>	<i>Advances of the bank of France and bank of Algeria</i>	<i>Tax receipts</i>	<i>Consolidation loans</i>
1914					
Aug.-Dec.	1,124	0	3,900	1,235	0
1915	5,298	1,511	1,175	3,771	10,967
1916	6,244	5,580	2,450	4,641	10,720
1917	7,214	11,709	5,060	5,811	7,670
1918	4,564	7,054	4,780	6,006	23,584
1919	24,542	8,560	8,635	10,000	1,417

* No regular reports are published by the French Treasury, and official figures on French war finance must be obtained from the Documents of the Senate and the Chamber of Deputies. At varying intervals there occur in these Documents statements of the government's financial situation. The statements are sometimes made by the Finance Minister and sometimes by the Chairman of the Senate or Chamber of Deputies Finance Commission. One of the most complete and satisfactory of these reports is that prepared in July, 1920, by M. Doumer who has recently become Finance Minister in the Briand Cabinet.